

Getting Started with BPM

An Introduction to Business Process Management

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Introduction

The importance of having an efficient system of business processes to drive an organization may seem like basic principle. If a business isn't running efficiently, it may not be realizing or maximizing its financial, market coverage or other strategic goals. For several years running, CIOs and IT executives continue to place *business process improvement* as the top business priority for their IT organizations^{1,2,3}. For individuals or organizations that are being asked to investigate process improvement, Business Process Management or BPM is a term that frequently associated with the process improvement. Unfortunately, BPM sometimes seems to have as many different meanings. Which definition is correct and how can BPM be applied to help achieve process improvement goals?

There are many sources of information about BPM and how it can be applied in organizations. These articles span all industries and address many different business processes. Finding, understanding and applying this knowledge is an evolutionary process. In this paper, we will summarize the key BPM concepts relevant to early discovery and point readers to more in-depth concepts that build on BPM basics. Initial discovery topics include:

- A history of business process management, both as a discipline and as a technology offering
- How BPM is being positioned by market analysts
- Where BPM fits in today's dynamic organizations
- How organizations can start to apply BPM to improve their processes
- Success stories an organization can use to understand how BPM can be applied to deliver business value

BPM Distilled

Business Process Management (BPM) is the understanding, visibility and control of business processes. A business processes represents a discrete series of activity or task steps that can span people, applications, business events and organizations. Based on this definition, the reader could logically relate BPM with other process improvement disciplines. That assumption is valid – there is certainly a described process (or methodology) that should be followed to help an

1 "Growing IT's Contribution: The 2006 CIO Agenda", Gartner EXP, January 2006

2 "The 30 Most Important IT Trends for 2007", CIO Insight, November 17, 2006

3 "CIOs Rank Their Top Priorities for 2008", CIO Insight, December 20, 2007

organization document their business processes and understand where they are being used throughout their business. During discovery, everyone agrees on how the current process is defined. The 'as-is' process' is then used as a basis for determining where the process can be improved. However, simply documenting what the process look like does not give the business managers (those responsible for the actual results) control over the process.

The real value of BPM comes from gaining visibility and control of the business process. By applying technology, BPM software can activate the process, orchestrate the people, data and systems that are involved in the process, and give the business managers a view into how the process is operating, where bottlenecks are occurring and highlight possible process optimizations. Process operational metrics are automatically collected by the BPM software. Business metrics, or key performance indicators (KPIs) can also be measured to add specific process or organizational context to the data.

Armed with data on how the process is currently operating, business managers can use any process improvement technique to optimize the process. The next generation process will drive maximum performance and efficiency. The impact of an improved business process can be realized in many ways, including reductions in cost, improved customer satisfaction, increased productivity by allowing reallocation of resources to more value added tasks, or by compliance with industry or regulatory requirements.

The description above represents the promise of BPM - process 'nirvana'. Most companies are far from achieving this level of process capability. Business managers have limited visibility, especially for processes that may cross outside the borders of their department or outside the organization. Individual work activities may be processed in a first in – first out fashion, rather than being based on an optimized global prioritization. For organizations that have expanded or grown by acquisition, each business unit may perform similar processes, but each completing the work using specialized processes that don't allow sharing of human and technology resources. Not knowing the current status of work paralyzes the business because managers cannot predict when work will be completed, who will complete it, if there are problems and how much the work is costing the company.

The term Process-Driven means that a person or organization has a passion for superior business performance through process innovation. Process-Driven organizations are those that understand how their work is getting done and focus on finding opportunities to make it better. They focus on the business and the results. They leverage technology, process improvement methodologies and best practices while embracing change to drive the processes that support

their business. BPM is a business-oriented architecture that allows process owners to set improvement goals and orchestrate actions across the company to achieve those goals.

The Evolution of Process Technology

The term BPM has evolved from a history of usage in related business process fields such as business process improvement, business process reengineering, and business process innovations.⁴ Just as these process disciplines have changed, BPM systems or suites have evolved similarly to other management systems. These advances can be mapped at the lowest level to the technology itself. Understanding these relationships is important to help ‘place’ a BPMS in the hierarchy of an organization’s systems.

The operating system of the computer is an example of the very lowest level of a management system. Database management systems (DBMS) are the primary controller of data. Widespread use of computers in business heralded business applications that managed functional areas. At this point, organizations found that the data that supported their business was organized in silos, driven by the functional applications adopted by the company. Examples of these types of application include Enterprise Resource Planning (ERP) Systems, Customer Relationship Management (CRM) systems and Order Management (OM) systems.

Organizations found themselves with a ‘four wall’ scope. It was difficult to share data and work between different departments because the applications enforced a department-level scope. Unfortunately, most business processes spanned systems, departments and sometimes external business partners. In addition, businesses were forced to operate the way the application was developed, rather than by the way they defined their own processes. These applications were frequently and sometimes impossible to modify and it was typically and lengthy and costly undertaking. Technology came to the rescue again, and tools like workflow management systems and enterprise application integration (EAI) suites were introduced. These tools allowed work and data to be routed and synchronized across an organization, but they simply served as conduits. It was difficult to tie the activities back to a higher level business process. However, they did serve as an enabler of BPM because they provided cross-system accessibility.

⁴ “An Introduction to BPM”, David McGoveran, BPM.com, March 22, 2005

BPM evolved because of this increase in process focus. Organizations realized that they could set themselves apart from their competition by optimizing their business processes. BPM suites are integrated software facilities that enable organizations to adopt and implement business process management. They foster process characteristics like efficiency, effectiveness, and agility. In order to accomplish this, they must contain features that support the following:

- A graphical modeling capability that can be used by both business owners and process analysts to create both workflow components and higher-level business processes. The processes must support human, business event and system activity steps.
- The ability to simulate one or many business processes, using test, historical and in-flight process data
- A facility to create user interface forms and reports
- A facility to create business process rules and allow their use to drive process flow and decisions
- The ability or framework to integrate with external systems, including many of the standard technologies or systems
- The ability to send and receive business and system event messages
- An embedded capability to capture and manage process performance and business indicators as they correlate to the business processes being executed

The ability to create graphical scoreboards for reporting business process metrics in real-time (also referred to as Business Activity Monitoring or BAM)

- A shared business process repository to house all process and process-related artifacts
- Tools for the administration of the business process engine or server

Like the BPM technology itself, vendors from complementary technology markets also migrated into the BPM space. Because of this, many software vendors today market themselves as BPM providers. However, the analysts do not consider these vendors true BPMS providers because of the significant gaps in their offerings. The following table lists the leading software vendor categories that are adjacent to BPM and identifies the gaps in their offerings that preclude them from delivering on the full promise of BPM.

Vendor Class	Strength	Gaps
Enterprise Application Integration (EAI) vendors	<ul style="list-style-type: none"> • Able to handle large transaction volume • Effectively handles system-centric processes 	<ul style="list-style-type: none"> • Costly to implement • Time consuming • Not suitable for use by the business owners
Workflow vendors	<ul style="list-style-type: none"> • Able to provide a modeling tool suitable for the business user 	<ul style="list-style-type: none"> • Missing process analysis and optimization • Difficult to customize, making processes that change frequently difficult to maintain
Business Process Analysis (BPA) vendors	<ul style="list-style-type: none"> • Provided a easy to use interface for modeling business processes 	<ul style="list-style-type: none"> • Does not generate an executable process • Does not provide many capabilities for system integration, user interfaces, the object model or data persistence
Business Rules Engine (BRE) vendors	<ul style="list-style-type: none"> • Sophisticated rules design and execution • Supports straight through processing (STP) 	<ul style="list-style-type: none"> • Extraordinarily complex to design and maintain • Used today only in specialized industries
Business Intelligence (BI) vendors	<ul style="list-style-type: none"> • Provides graphical reporting interface to report process behavior and performance 	<ul style="list-style-type: none"> • Depends on other technologies to collect and store process metrics • Cannot effect the running process to implement optimization changes
Enterprise Application vendors	<ul style="list-style-type: none"> • Provide some embedded workflow 	<ul style="list-style-type: none"> • Workflow has limited capability to integrate with external systems • Full featured BPM is many years away from release
Application Development Environment vendors	<ul style="list-style-type: none"> • Includes basic workflow for web services 	<ul style="list-style-type: none"> • Poor tools for business teams to express requirements • Missing analytical and optimization capabilities • Code-based applications are difficult to customize and maintain

What Do the Analysts Say About BPM

BPM market analyst firms like Gartner and Forrester Research are uniquely positioned to have visibility in all phases BPM adoption. They work with BPM consumers as advisors during the BPM selection process. In order to facilitate this role, they work directly with the vendors to understand product individual BPM offerings. BPM consumers also share their successes with the analysts, so they get a varied view of BPM applications across industries and vendor products that they can share with the market as a whole.

Analyst firms disagree on how exactly to divide the BPM market. Gartner uses a list of functional criteria to determine if a vendor should be included as a viable BPM vendor and where they are ranked in comparison with other vendors. Forrester Research uses functional criteria as well, but further divides the market into two major segments: human-centric or integration-centric business processes. Integration centric BPMS focuses on the coordination and orchestration of data at the system-level, rarely involving human participants. An example of this type of business process would be automating high volume trade reconciliation at a financial brokerage, creating a straight-through process.

Human-centric BPM, on the other hand, attempts to automate people-intensive tasks in order to create a streamlined, efficient process. Viable BPM vendors in this category provide considerable integration frameworks to leverage existing systems from within the business process. These vendors also provide extended reporting and optimization capabilities with their BPM suites. These features consider organizational nuances like resource constraints, costing models, bottleneck prediction, and process optimization recommendations. Integration-centric BPM suites can only focus on through-put type metrics that can be used to tune systems, not people and business processes. Sample processes in category include new employee on-boarding, exception handling from a supply chain management system or claims processing.

Technology reports like The Forrester Wave: Human-Centric BPM Suites and the Gartner Magic Quadrant can be used by organizations to determine which vendors are most appropriate for their process improvement opportunity. However, based on the differences between the two firms in how they classify the BPM market and providers of BPM suites, a company investigating BPM should be sure they carefully match the analyst criteria to the needs of their organization.

In 2006, the approximate size of the BPM market was \$1.6 billion dollars. Forrester expects the BPMS market to reach \$6.3 billion by 2011⁵, with the primary driver being the need for tools to

⁵ "BPMS Revenue To Reach \$6.3 Billion By 2011", Forrester Research, July 30, 2007

enable process improvement and complex decision making. The demand will come from both the business and IT side of the organization. This type of financial commitment echoes the commitment organizations are making to becoming process-driven entities. Analysts also feel that BPM will be a key enabler for IT organizations that want to provide reusable process, application or infrastructure ‘services’ that provide efficiency and flexibility to business process managers.⁶

Where Does BPM Fit

The adoption of BPM involves a major shift in the way an organization will operate. BPM technology along with the associated best practices and methodology cannot be assigned solely to the IT staff. The organization’s leadership team must demonstrate a commitment to BPM and its benefits in order to effect change and adoption throughout the organization.⁷ Change is never easy, but with BPM, the benefits can be easily demonstrated to build momentum across the organization.

First and foremost, organizational leadership and business managers must take ownership of the business processes that support the company and their specific organizational groups. These organizational groups are responsible for the performance of the company. BPM enables them to start small, achieve outstanding process results and optimizations, and then apply the technology to other projects. In fact, deploying a process “as is” in a BPMS can – without making any other changes – lead to a 12% productivity improvement⁸. This significant gain just sets the stage for further improvement. The ease in which an organization can deploy a new process or update an existing process is a key differentiator in a BPM suite. A BPM suite that offers a shared process repository will enable all groups within an organization to leverage the process successes that have already paved the way for BPM adoption. In addition, it is essential that organizations adopting BPM adopt a more iterative approach to the development and delivery of process applications. Because processes change so frequently and because requirements are difficult to define for cross-organization processes, an iterative development approach has proven to be the most successful model for delivering process applications.

Of course, the IT department must be willing and able to integrate and support the BPM technology. This is simplified by the fact that most leading BPMS are themselves service-oriented and fit into a Service- Oriented Architecture (SOA) seamlessly. In fact, BPMS are often the leading “consumers” of the services made available by SOA initiatives – providing concrete business value and impact. Furthermore, Object Management Group (OMG) is actively driving

6 “Findings for Next-Generation BPM”, Gartner Research Note, April 11, 2006

7 “Business Process Management: The IT Organization’s Moment of Truth”, Gartner Research Note, April 24, 2006

8 “Business Process Management’s Success Hinges on Business-Led Initiatives”, Gartner Research Note, July 26, 2005

the definition and adoption of industry accepted standards for all aspects of BPM functions. This eases the IT adoption of the technology by increasing the interoperability of your processes as well as the portability of technology assets. For companies already using process improvement methodologies like Six Sigma or LEAN, a BPM suite adds new measurement and control capabilities helps scale the application of process improvement methodologies across the whole organization.

Organizations that have been successful with making BPM an integral part of their way of doing business have often decided to create BPM Centers of Excellence (COE). At inception, the COE may have been part of the IT organization, but as the enterprise evolved into a more process-driven entity, the COE became a more structured group of individuals that could contribute on BPM projects for the entire organization. Gartner⁹ reports common themes of COE charters to include:

- Streamline internal and external business processes
- Maintain control and accountability
- Increase automation
- Provide end-to-end visibility

BPM-related services that the COE can provide to the organization include:

- Coach and facilitate
- Provide best practices
- Deliver process training and education
- Maintain a business process knowledge base

Regardless of how an organization decides to implement BPM, it is important to build momentum by making process successes visible to all levels of the organization. Groups and individuals in the organization will become aware of contributions they can make to the organization by leveraging BPM to optimize their business processes.

⁹ Case Study: "BPM Organizational Staffing and Structure", Gartner Research Note, February 6, 2006

Where Do You Start

Organizations may recognize that the value of utilizing BPM for process improvement. The next question is inevitably “Where do I start” or “What process should I tackle first”? From a business perspective, some of the symptoms that could identify a process improvement opportunity include:

- High labor costs to execute the process
- Inconsistent work quality
- Inaccurate forecasting of work completion
- Difficulty in providing status reports
- Employee and customer satisfaction

These symptoms indicate that the process cannot be effectively managed and that there is most likely a lack of visibility into how the process is performing. It is not only the business that can identify potential BPM candidate process. Quite frequently, the IT department cannot keep up with the pace of business. Symptoms to look for in the IT departments include:

- There are frequent changes requests to handle process exceptions
- There is frustration because of the constant changes to business requirements
- Pressure for shorter development cycles
- Requests for reports that span multiple systems.

Regardless of what process is chosen, a clear understanding of who the process owner is and what objectives the process owner wants to achieve is paramount. Good project management is also key in getting a sometimes complicated, cross-functional process improvement project rolling smoothly.

Success Stories

Regardless of the BPMS used for process improvement, there are many success stories that support the value of taking the first step in becoming process driven. From a pure deployment and return perspective, a survey completed by Gartner¹⁰ reported:

10 “Justifying BPM Projects”, Jim Sinur, Gartner, November 2004

- Successful project has an internal rate of return of no less than 10%; 78% reported a return of greater than 15%
- 67% of the BPM projects were implemented in less than 6 months; 50% were implemented in less than 4 months.
- 77% had returns greater than \$100K per project; 55% achieved returns between \$100K and \$500K

Specific process examples also stand out:

- A large computer manufacturer used BPM to manage resolution of all North American distressed shipments. The process is currently saving them \$2M on average per quarter. First time delivery rates increased from 60% to 90%.
- SpectraSite, a cellular tower operator, launched a BPM initiative that reduced process cycle time by 65% and increased process throughput by 60% (without increasing staffing), all driving customer requests up by 46% in the first year.¹¹
- Aflac deployed a process to optimize invoice reconciliation by automating their paper-based processes, and was able to reduce their processing costs by 12% ¹², reduce their error rate by 30 percent, and improve their customer and employee satisfaction.
- Lee Memorial Health Systems deployed their first BPM process in less than ninety days. It managed the new hire on-boarding process. They were able to cut recruiting time in half (from 16 to 8 hours) and reduce new employee record creation time from 9 hours to 10 minutes. They were also able to deploy additional enhancements to the process six weeks later.
- Sprint, a global integrated communications provider used BPM to manage billing disputes and adjustments. They were able to reduce the time to resolve a dispute from 12 to 2.5 days, realized a 10 percent decrease in invalid and incorrectly processed adjustments and increased customer call center productivity by 9 percent.
- American National Insurance Company streamlined a customer service processes that spanned four business groups, increasing workload capacity by 192 percent.¹³

11 "SpectraSite Showcases A Towering Success in Business Process Management", Forrester Research, November 21, 2005

12 "Lombardi Powers Aflac Service-Related BPM Effort", Insurance and Technology, January 2008

13 "Moving the Sidewalks", Mark Cooper, *CIO Magazine*, May 15, 2006

For More BPM Reading

Articles that explore topics discussed in this whitepaper are listed below. They are divided among subtopics that represent the key messages of the article. If any difficulties are experienced locating the articles, please contact Lombardi Software.

Organizational Changes & BPM Adoption

- “Business Process Management: The IT Organization’s Moment of Truth”, Michael Melenovsky, *Gartner Research Note*, April 24, 2006
- “Business Process Management’s Success Hinges on Business-Led Initiatives”, Michael Melenovsky, *Gartner Research Note*, July 26, 2005
- “Business Process Improvement Role Overview”, Janelle Hill, *Gartner Research Note*, March 16, 2006
- “Three Examples of BPM Worst Practices and How to Avoid Them”, Elise Olding, *Gartner Research Note*, December 3, 2007
- “Change Champions”, Jeffrey Berk, *Internal Auditor*, April 2006
- “Do You Have A Business-Oriented Architecture?”, Rod Favaron, *BPM Primetime*, 2006
- “How to Begin BPM Efforts”, Ken Vollmer, *Forrester Research Best Practices*, September 6, 2005
- “BPM Best Practices for Process Professionals”, Colin Teubner, *Forrester Research Best Practices*, January 12, 2007

Recognizing Process Opportunities & BPM Value

- “Making the Case for BPM: A Benefits Checklist”, *Lombardi White Paper*.
- “Distinguishing Business Process Management from Business Process Re-engineering”, Janelle Hill, *Gartner Research Note*, December 28, 2005
- “Justifying BPM Projects”, Jim Sinur, *Gartner Research Note*, November 2004
- “The Value of Business Process Management”, John Pyke, *Management Services*, Spring 2005

- “Getting Started with BPM, Part 1: Assessing Readiness”, Elise Olding and Bill Rosser, October 2007
- “Getting Started with BPM, Part 2: Laying the Groundwork to Launch a BPM Initiative”, Elise Olding and Bill Rosser, October 2007
- “Getting Started with BPM, Part 3: Understanding Critical Success Factors”, Elise Olding and Bill Rosser, October 2007

BPM & Related Technologies

- “An Introduction to BPM”, David McGoveran, *BPM.com*, March 22, 2005
- “An Introduction to BPMS”, David McGoveran, *BPM.com*, March 22, 2005
- “ABC: An Introduction to Business Process Management (BPM)”, Mark Cooper and Paul Patterson, *CIO Magazine*, April 27, 2007
- “Findings for Next-Generation BPM”, Michael Melenovsky, Jim Sinur & Matt Light, *Gartner Research Note*, April 11, 2006
- “What is the Difference Between Workflow Engines and BPM Suites?”, *Lombardi White Paper*
- “A Business-Oriented Architecture: Combining BPM and SOA for Competitive Advantage”, *Lombardi White Paper*

Market Briefs

- “BPMS Revenue To Reach \$6.3 Billion By 2011”, *Forrester Research*, July 30, 2007

Case Studies

- “Comprehensive Offering and Domain Expertise in BPM Lead Customers to Lombardi”, Maureen Fleming, *IDC Customer Needs and Strategies Report*, November 2007
- “Business Process Management: The Next Evolution in Managing Workers Compensation”, Nathan Dintenfass, *Risk Management Magazine*, October 2005
- “Case Study: BPM Organizational Staffing and Structure”, Michael Melenovsky, *Gartner Research Note*, February 3, 2006

- “Failure to Deport Prisoners Shows Cost of a Broken Process”, David Flint, *Gartner Research Note*, May 4, 2006.
- “Moving the Sidewalks”, Mark Cooper, *CIO Magazine*, May 15, 2006
- “SpectraSite Showcases a Towering Success In Business Process Management”, Connie Moore, *Forrester Research Best Practices*, November 21, 2005
- “Lombardi Powers Aflac Service-Related BPM Effort”, *Insurance and Technology*, January 2008

About Lombardi

Lombardi is a leader in business process management (BPM) software for companies, systems integrators and government agencies of all sizes. We offer award-winning BPM technology, know-how and services to help our customers succeed with their process improvement initiatives. Our products are built on open standards, and provide ongoing prioritization, planning, visibility and control of business processes, increasing the speed and flexibility with which organizations can manage their business process activities and decision-making.

Teamworks® is Lombardi's BPM software for designing, executing, and improving processes. Teamworks for Office™ makes it easy for anyone to participate in BPM using the familiar Microsoft® Office System products. And Lombardi Blueprint™ is the only on-demand, collaborative process documenting tool that enables companies to map processes, identify problems and prioritize improvement opportunities. At the core is Lombardi's unique shared model architecture, which significantly reduces the time and effort versus competing solutions.

Lombardi is behind some of the largest, most successful BPM implementations in the world. Our customers include Allianz Group, Aflac, Banco Espirito Santo, Barclays Global Investors, Dell, El Paso Energy, FETAC, Financial Services Authority, Ford Motor Company, Hasbro, ING Direct, Intel, Maritz Travel, National Bank of Canada, National Institute of Health, Safety-Kleen, T-Mobile, UCLH, Xbridge and numerous governmental agencies.